

Message Text

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ACTION SS-20

INFO OCT-01 AF-10 EUR-25 NEA-11 ISO-00 EB-11 SSO-00 L-03

INR-10 SPC-03 DRC-01 RSC-01 /096 W

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R 291040Z JAN 74

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 2830

INFO AMEMBASSY JIDDA

USINT ALGIERS

C O N F I D E N T I A L THE HAGUE 0466

FOR UNDER SECRETARY DONALDSON

E.O. 11652: GDS

TAGS: ENRG, AG

SUBJ: DOW CHEMICAL INTEREST IN ENERGY DEAL WITH
ALGERIA

1. DOW CHEMICAL'S EUROPEAN PROCUREMENT CHIEF (MARSHALL) HAS SOUGHT OUR ADVICE AND ASSISTANCE IN CONNECTION WITH LONG-TERM ENERGY SUPPLY ARRANGEMENT DOW WOULD LIKE TO CONCLUDE WITH ALGERIAN GOVERNMENT.

2. ACCORDING TO MARSHALL DOW'S PETROCHEMICAL COMPLEX IN TEXAS WILL HAVE BY 1977 300,000 B/D IN ADDITIONAL THROUGHPUT CAPACITY FOR WHICH RAW MATERIAL SOURCE IS NOT YET FIRM. DOW IS NEGOTIATING WITH SAUDI ARABIA BUT RELATIVELY GREATER GEOGRAPHICAL REMOTENESS MAKES ECONOMICS LESS ATTRACTIVE THAN WITH SOME NORTH AFRICAN OIL SOURCE. LIBYA AND ALGERIA ARE EQUALLY ATTRACTIVE TO DOW BUT PRESENT THINKING IS FOCUSED ON ALGERIA.

3. ACCORDING TO MARSHALL DOW IS PREPARED TO INVEST UP TO \$100 MILLION IN ETHYLENE PLANT OR GENERAL FIELD OF PETROCHEMICALS IN RETURN FOR ASSURED SUPPLY OF 300,000 B/D OF CRUDE (OR EQUIVALENT IN DISTILLATES). THUS FAR, HOWEVER, DOW HAS BEEN UNABLE TO ESTABLISH DIALOGUE WITH
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ALGERIAN DECISION MAKERS. MARSHALL ASKED WHETHER USG COULD

ASSIST IN ARRANGING APPOINTMENTS AT APPROPRIATE LEVEL.

4. COMMENT: IT OCCURRED TO US THAT WHILE ON THE ONE HAND A BILATERAL DEAL OF THIS SORT AT THIS JUNCTURE APPEARS CONTRARY TO CONCEPT OF CONSUMER COOPERATION BASIC TO FEB 11 CONFERENCE, ON THE OTHER HAND USG MIGHT WISH TO PLAY ROLE IN SAME AS CONCILIATORY GESTURE TOWARDS BOYCOTTERS.

5. ACTION REQUESTED: DEPARTMENT'S GUIDANCE AS TO WHETHER WE SHOULD ENCOURAGE DOW TO PROCEED NOW OR RECOMMEND THAT THEY HOLD OFF TEMPORARILY. IF THE FORMER, WOULD DEPARTMENT WISH US TO BROACH MATTER WITH ALGERIAN AMBASSADOR ACCREDITED HERE? IN ANY EVENT, DEPARTMENT MIGHT WISH TO INITIATE DISCUSSIONS WITH DOW'S MICHIGAN HEADQUARTERS.
GOULD

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